

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 TRSE-00 COME-00 EB-08 L-03 DODE-00
OMB-01 PM-05 CIAE-00 INR-10 NSAE-00 /038 W
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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 1112
INFO AMCONSUL DHAHRAN
USLO RIYADH

C O N F I D E N T I A L JIDDA 1248

E.O. 11652: GDS
TAGS: BGEN, PINT, SA
SUBJECT: SAUDI DECREE ON "INFLUENCE PEDDLING"

REF: STATE 33373 (NOTAL)

1. CONVERSATIONS WITH SAUDI BUSINESSMEN ON SUBJECT INDICATE THAT, WHILE REGULATION IS FOGGY IN SOME SECTIONS AND SUBJECT TO A VARIETY OF INTERPRETATIONS, CONSENSUS IS THAT COMMISSIONS OVER TEN PERCENT PAID PREVIOUSLY WILL NOT BE AFFECTED. HOWEVER, REGARDLESS OF TERMS OF PERVIOUS AGENCY/ PRINCIPAL CONTRACTS, FUTURE FEES WILL BE LIMITED TO FIVE PERCENT.

2. MOST LOCAL OBSERVERS FEEL THAT FIVE PERCENT MINIMUM WILL BE HARD TO CONTROL SINCE THE REGULATION DOES NOT STIPULATE ANY FEE REPORTING REQUIREMENT BY THE AGENT. THE REGULATION DOES STIPULATE (ARTICLE 7) THE NEED FOR A WRITTEN CONTRACT, WHICH IS TO DEFINE OBLIGATIONS OF THE CONTRACTOR AND THE SAUDI AGENT, INCLUDING, WE ASSUME, PAYMENT PERCENTAGE REGULATED AT NO MORE THAN FIVE PERCENT. THE FIVE PERCENT, HOWEVER, APPLIES TO EACH INDIVIDUAL CONTRACT WITH THE SAG.
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REGULATION DOES NOT LIMIT NUMBER OF SAG CONTRACTS FOR WHICH AN AGENT IS USED BY THE FOREIGN CONTRACTOR.

3. MOST LOCAL OBSERVERS HERE AGREE WITH OUR EARLIER PREDICTION THAT SOME AGENCY RELATIONSHIPS WILL CHANGE TO JOINT VENTURES TO CIRCUMVENT THE FIVE PERCENT COMMISSION LIMITATION.

4. THE REGULATION APPEARED IN THE WEEKLY OFFICIAL GAZETTE, UM AL QURA ON JANUARY 20,1978.

5. COMMENT: THE NUMBER OF FOREIGN INFLUENCE PEDDLERS AND FIXERS, SOME OF WHOM HAD NODDING ACQUAINTANCE WITH SAUDI PRINCES AND OFFICIALS, GREW SIGNIFICANTLY IN THE PAST TWO YEARS. LEBANESE, SYRIANS, EGYPTIANS AND EVEN A FEW AMERICANS VISITED THE EMBASSY WITH A PROSPECTIVE U.S. CLIENT IN TOW AND CLAIMED INFLUENCE IN GETTING SAG CONTRACTS. ONE AMERICAN INVOLVED IN THE HELICOPTER OFF-LOADING CONTRACT OF 1976 REPORTEDLY GOT A "FINDERS" FEE OF \$1.00 A TON FROM THE U.S. FIRM FOR THE 600,000 TONS OF OFF-LOADED UNDER THE CONTRACT. THE MATTER OF PAYMENT IS NOW IN DISPUTE. A FORMER U.S. CONGRESSMAN (WICKERSHAM), HAS CIRCULATED A LETTER TO U.S. FIRMS HERE STATING THAT HE CAN INFLUENCE SAG OFFICIALS, INCLUDING THE KING. THESE AND OTHER SIMILAR CASES HAVE BECOME COMMON GOSSIP IN JIDDA AND UNDOUBTEDLY HAVE REACHED THE EARS OF SAUDI DECISION-MAKERS. WE BELIEVE THAT SAG DECIDED TO CRACK DOWN.

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